

Cape Agulhas Municipality



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

Adjustment Budget 2013/14 – 2015/16

Adjusted Medium Term Revenue
and Expenditure Framework

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Glossary

Adjustments Budget - Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations - Money received from Provincial or National Government or other municipalities.

Budget - The financial plan of the Municipality.

Budget Related Policy - Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control and debt collection policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement - A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

DORA - Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable Share - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure - Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GFS - Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP - Generally Recognised Accounting Practice. The new standard for municipal accounting.

IDP - Integrated Development Plan. The main strategic planning document of the Municipality

KPI's - Key Performance Indicators. Measures of service output and/or outcome.

MFMA - The Municipal Finance Management Act - No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF - Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

Net Assets - Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure - Spending on the day to day expenses of the Municipality such as salaries and wages.

Rates - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

SDBIP - Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives - The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

Unauthorised expenditure - Generally, spending without, or in excess of, an approved budget.

Virement - A transfer of budget.

Vote - One of the main segments of a budget. The structure is for reporting requirements and links the accounting performance both to the IDP and to the responsible officials. The vote structure at Cape Agulhas is made up as follows:

MAIN VOTE	SUB-VOTES
Executive and Council	Government Grants & Subsidies Municipal Manager Council General Expenses
Budget and Treasury Office	Property Tax Finance Stores Information Technology Funds & Reserves
Corporate Services	Corporate Services Human Resources
Community and Social Services	Library Community Services Cemetery Buildings and Commonage
Sport and Recreation	Nature Reserve Parks & Open Spaces Sports Grounds Beaches & Public Amenities Holiday Resorts
Public Safety	Traffic Vehicle Testing Station
Road Transport	Proclaimed Roads Streets & Storm water
Electricity	Electricity
Water	Water
Waste Water Management	Sewerage & Sanitation
Waste Management	Solid Waste
Environmental Protection	Environmental Services
Other	Workshop Engineering Services Housing

PART 1 - ANNUAL BUDGET

Section 1 - Mayor's Report

In accordance with section 28 of the Municipal Finance Management Act, No 56 of 2003 (MFMA) a municipality must revise its approved annual budget through an adjustments budget, in the following circumstances:

- (i) To appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for.
- (ii) To authorise the utilisation of projected savings in one vote towards spending under another vote.
- (iii) To authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected rollovers when the annual budget for the current year was approved by the Council.
- (iv) To correct any errors in the annual budget.

In line with the MFMA, the 2013/14 approved Budget has now been adjusted. The main adjustments proposed in this adjustment budget are:

Operating Budget

- 1) A decrease in revenue (excluding capital transfers) amounting to R 9.790 million. The decrease can be summarised as follows –
 - a. A decrease in Service Charges amounting to R 4.558 million.
 - b. A decrease in Operating Grant Transfers amounting to R 5.232 million.
- 2) A net decrease in operating expenditure amounting to R 9.091 million.
 - a. A decrease in Employee Related Costs amounting to R 1.493 million.
 - b. An increase in depreciation amounting to R 0.239 million.
 - c. An increase in finance charges amounting to R 0.922 million.
 - d. An increase in electricity bulk purchases of R 2.600 million.

- e. A decrease in Contracted Services amounting to R 0.119 million.
 - f. A decrease in other expenditure amounting to R 11.240 million.
- 3) A net decrease in Capital Grant Transfers amounting to R 1.655 million.

The net effect from these adjustments is that the projected operating surplus for the year, previously stated at R 10.815 million, decreased to R10.444 million.

More detail will be provided in Section 3 of this report.

Capital Budget

The municipality decreased its planned capital expenditure from R 26.345 million to R 26.340 million.

Although there was a significant decrease on the Waste Water Treatment Works project financed from the Regional Bulk Infrastructure Grant (RBIG) (Due to better than expected progress made on the project during 2012/2013, a large portion of the planned expenditure for 2013/2014 already materialised in the 2012/2013), this decrease was fully offset by increases in the allocations towards the Thusong Centre and Ou Meule Street.

More detail will be provided in Section 3 of this report.

The revised forecasted expenditure can be summarised as follows: (R 000)

TYPE	2013/2014 Original	2013/2014 Adjusted (Sep 2013)	2013/2014 Adjusted (Jan 2014)	2014/2015 Adjusted	2015/2016 Adjusted
Operating	230 484	234 486	225 195	212 477	225 334
Capital	24 484	26 345	26 340	19 809	18 276
TOTAL	254 968	260 831	251 535	232 286	243 610

Funding and Cashflows

The budget for 2013/2014 is cash-funded, but only because of the use of previous years' cash surpluses.

The expected Cashflows for the MTREF period is as follows (R'000)

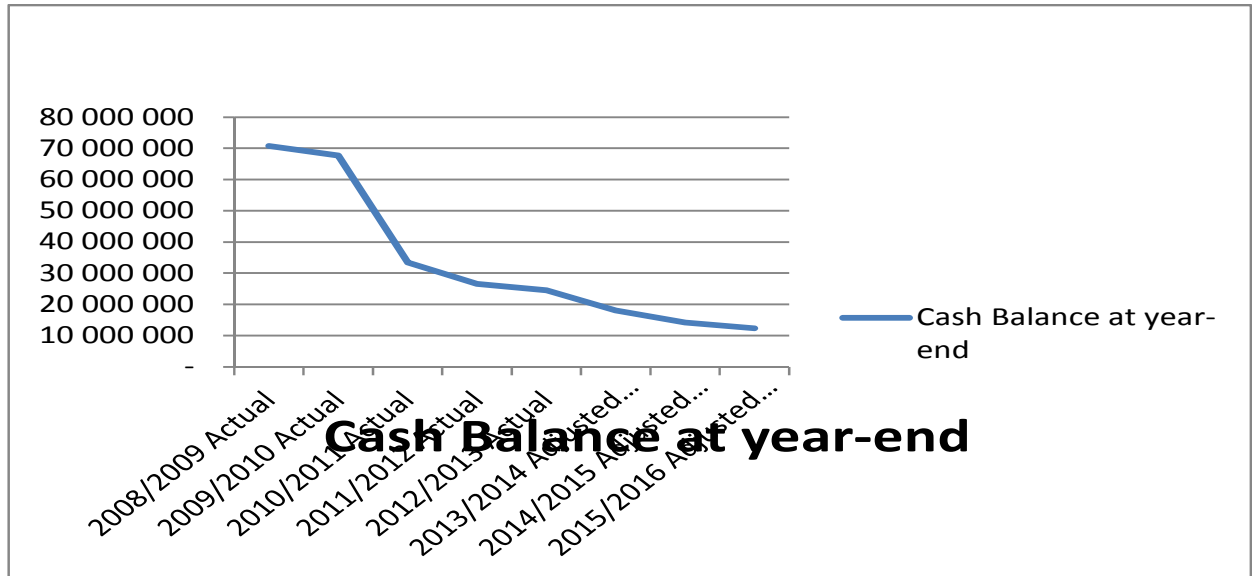
Source	2013/2014	2014/2015	2015/2016
Other inflows	5 932	7 171	7 279
Capital Grants inflows	13 912	8 784	9 186
Net cash inflows	19 844	15 955	16 465
Outflows - Investment in Assets	(26 340)	(19 809)	(18 276)
Net inflows / (outflows)	(6 496)	(3 854)	(1 811)
Balance 30 June (Cash)	18 066	14 212	12 401

As can be seen from the above the municipality's cash resources will decline by R 12.161 million over the MTREF period. Although there is a slight improvement on the rate of decline (when compared to previous years), this decrease should be curbed to ensure that the Cape Agulhas Municipality does not run out of cash resources.

The municipality should explore one or a combination of the following to ensure that the long-term sustainability of the Cape Agulhas Municipality stays intact.

- 1) Strategies should be investigated to increase revenue sources and to finance the proposed expenditure program of the municipality.
- 2) Cut back on operating expenditure and/or capital expenditure from internal sources. As can be seen from the table and graph below, the municipality is not generating sufficient cash to finance the proposed expenditure plan.

	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	
R'000	Actual	Actual	Actual	Actual	Adjusted Budget	Adjusted Budget	Adjusted Budget	Total
Cash Generated By Operations	21 511	-6 863	16 703	31 836	19 976	16 048	16 425	115 636
Capital Expenditure	-23 728	-33 654	-33 654	-33 654	-26 340	-19 809	-18 276	-189 115
Shortfall	-2 217	-40 517	-16 951	-1 818	-6 364	-3 761	-1 851	-73 479
Decrease in Cash Resources	-3 094	-34 325	-6 798	-2 022	-6 496	-3 854	-1 811	-58 400



- 3) The current financing structure of the capital program is placing significant pressure on the cash resources of the municipality resulting in the sharp decline in cash resources as indicated above. An external loan should be raised to finance a portion of the infrastructure program of the municipality.

Furthermore, an external loan also has the added benefit of distributing the cost of financing over the useful life of the infrastructure asset. This will ensure that the user deriving the benefits from a specific infrastructure project (financed from external funds), will also liable to contribute the cost of the project by means of tariffs and levies.

Unforeseen and unavoidable expenditure

There was no unforeseen expenditure approved by the Mayor and incorporated into this adjustment budget since the original approved budget.

Changes to allocations and grant adjustments

Changes to expected grant expenditure are reflected below. Full details regarding income and allocations are disclosed in documentation forms SB7 to SB9.

Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
<u>Operating transfers and grants:</u>						
National Government:						
Balance unspent at beginning of the year	(1)	0	(413)	(413)	0	0
Current year receipts	29 151	29 151	(2 154)	26 997	23 760	25 218
Conditions met - transferred to revenue	29 151	29 151	(2 567)	26 584	23 760	25 218
Conditions still to be met - transferred to liabilities	(1)	0	–	0	0	0
Provincial Government:						
Balance unspent at beginning of the year	–	3 926	(799)	3 127	–	–
Current year receipts	33 392	33 392	(1 866)	31 526	8 656	8 966
Conditions met - transferred to revenue	33 392	37 318	(2 665)	34 653	8 656	8 966
Conditions still to be met - transferred to liabilities	–	–	–	–	–	–
Other grant providers:						
Balance unspent at beginning of the year	831	419	–	419	419	419
Current year receipts	–	–	–	–	–	–
Conditions met - transferred to revenue	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities	831	419	–	419	419	419
Total operating transfers and grants revenue	62 543	66 469	(5 232)	61 237	32 416	34 184
Total operating transfers and grants - CTBM	830	419	–	419	419	419
<u>Capital transfers and grants:</u>						
National Government:						
Balance unspent at beginning of the year	(967)	(3 363)	413	(2 950)	–	–
Current year receipts	13 217	13 217	–	13 217	8 584	8 986
Conditions met - transferred to revenue	13 217	13 217	(2 950)	10 267	8 584	8 986
Conditions still to be met - transferred to liabilities	(967)	(3 363)	3 363	–	–	–
Provincial Government:						
Balance unspent at beginning of the year	–	1 860	799	2 660	–	–
Current year receipts	200	200	495	695	200	200
Conditions met - transferred to revenue	200	2 060	1 294	3 355	200	200
Total capital transfers and grants revenue	13 417	15 277	(1 655)	13 622	8 784	9 186
Total capital transfers and grants - CTBM	(967)	(3 363)	3 363	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE	75 960	81 746	(6 888)	74 859	41 200	43 370
TOTAL TRANSFERS AND GRANTS - CTBM	(137)	(2 944)	3 363	419	419	419

Recommendations

It is recommended:

- 1) that the Council approves the adjustments budget; and
That the Council approves the changes to the service delivery and budget implementation plan.

Section 2 - Budget Related Resolutions

ADJUSTMENT BUDGET 2013/2014

The resolution tabled at Council for consideration with approval of the adjustments budget is:

RECOMMENDATION:

- a) That the adjustments budget of Cape Agulhas Municipality for the financial year 2013/2014 as set out in the schedules contained in section 4 be approved:
 - Table B1 – Adjustments Budget Summary
 - Table B2 – Adjustments Budgeted Financial Performance (revenue and expenditure by standard classification)
 - Table B3 – Adjustments Budgeted Financial Performance (revenue and expenditure by municipal vote)
 - Table B4 – Adjustments Budgeted Financial Performance (revenue and expenditure)
 - Table B5 – Adjustments Budgeted Capital Expenditure by vote, standard classification and funding
 - Table B6 – Adjustments Budgeted Financial Position
 - Table B7 – Adjustments Budgeted Cash Flows
 - Table B8 – Adjustments Cash backed reserves/accumulated surplus reconciliation
 - Table B9 – Adjustments Budget Asset Management
 - Table B10 – Adjustments Budget Basic service delivery measurement
- b) That the amended performance objectives as contained in the SDBIP be approved (Attached supporting documentation form SB 3).
- c) That it be noted that there are no changes to any budget related policies.

Section 3 - Executive Summary

Introduction

Strict financial control is the key to success of any entity or company operating in the current economic environment. With consumers already struggling to come to terms with the sharp increases in food, travel and accommodation costs, the municipality is left with little room to increase rates and other tariffs to finance its planned operating and capital program. Where possible, the municipality should always investigate the possibilities to cut back on expenditure to ensure that tariffs and taxes remain affordable.

Effect of the adjustment budget

The following adjustments are proposed:

Operating Budget

- 1) A decrease in Service Charges amounting to R 4.558 million.

This adjustment is the result of an audit finding during 2012/2013. The municipality incorrectly budgeted and accounted for internal revenue, resulting in an overstatement of both revenue and expenditure. This error is now being corrected with a similar adjustment being proposed for the expenditure component of this transaction/entry.

- 2) A decrease in Operating Grant Transfers amounting to R 5.232 million.

This adjustment could mainly be attributed to an Integrated National Electrification Grant amounting to R 5.354 million payable directly to Eskom. Previously, this grant was incorrectly included in the budget of the municipality.

- 3) A decrease in Employee Related Costs amounting to R 1.493 million.

This decrease can mainly be attributed to savings identified in certain votes.

- 4) An increase in depreciation (R 0.239 million) and finance charges (R 0.922 million).

A detailed estimate of the costs involved to rehabilitate all landfill sites controlled by the municipality was obtained on 30 June 2013. The original budget did not fully provide for these costs, as the information was not available at the time of approval of the original budget.

- 5) An increase in electricity bulk purchases amounting R 2.600 million.

This increase was necessitated due to the fact that the original budget did not factor in all charges passed down to the Municipality by Eskom.

- 6) A Decrease in Contracted Services (R 0.119 million) and Other Expenditure (R 11.240 million)

These decreases can be attributed to the following:

- a) Cost savings and cut-backs
- b) Decrease in operating grant expenditure directly linked to the decrease in operating grant transfers as highlighted above (R 4.207 million)
- c) Decrease in internal service charges as highlighted above (R 4.703 million).
- d) Increases in audit fees (R0.4 million), training costs (R0.541 million) and legal fees (R0.822 million) were also proposed. These increases were however fully offset by savings identified in a) above.

Capital Budget

- 1) A net decrease in Capital Grant Transfers and Capital Expenditure (financed from grants) amounting to R 1.655 million.

These decreases can be attributed to the following:

- a) A decrease in RBIG expenditure amounting R2.950 million. This is due to the fact that a large portion of the project already materialised in 2012/2013.
- b) An increase in the Access to Basic Services allocation amounting to R 0.799 million. This allocation was previously not budgeted for under capital and this error is now corrected.
- c) An increase in the Library Subsidy allocation for capital projects amounting to R 0.495 million.

- 2) An increase in capital expenditure from own funding amounting to R 1,650 million. This increase can be attributed to the Thusong Centre (R 1 million) and an additional allocation for the Ou Meule Street (R 0.650 million)

BUDGET SUMMARY

A summary of the revised budget is as follows (Table B1):

Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
Financial Performance						
Property rates	39 103	39 103	–	39 103	41 214	43 440
Service charges	110 265	110 265	(4 558)	105 707	118 230	125 482
Investment revenue	1 650	1 650	–	1 650	1 635	1 622
Transfers recognised - operational	62 543	66 469	(5 232)	61 237	32 416	34 184
Other own revenue	14 321	14 321	–	14 321	13 732	14 480
Total Revenue (excluding capital transfers and contributions)	227 882	231 808	(9 790)	222 018	207 227	219 209
Employee costs	77 029	77 029	(1 493)	75 535	82 273	87 303
Remuneration of councillors	3 338	3 338	–	3 338	3 518	3 708
Depreciation & asset impairment	6 775	6 775	239	7 014	7 361	7 735
Finance charges	277	277	922	1 199	1 212	1 241
Materials and bulk purchases	50 900	50 900	2 600	53 500	54 951	59 325
Other expenditure	92 165	95 968	(11 359)	84 610	63 162	66 021
Total Expenditure	230 484	234 286	(9 091)	225 195	212 477	225 334
Surplus/(Deficit)	(2 602)	(2 479)	(699)	(3 177)	(5 250)	(6 125)
Transfers recognised - capital	13 417	15 277	(1 655)	13 622	8 784	9 186
Surplus/ (Deficit) for the year	10 815	12 799	(2 354)	10 444	3 535	3 061
Capital expenditure & funds sources						
Capital expenditure	24 484	26 345	(1 655)	24 690	19 809	18 276
Transfers recognised - capital	13 417	15 277	(1 655)	13 622	8 784	9 186
Internally generated funds	11 068	11 068	–	11 068	11 025	9 090
Total sources of capital funds	24 484	26 345	(1 655)	24 690	19 809	18 276
Financial position						
Total current assets	31 030	28 347	8 470	36 817	33 783	32 884
Total non current assets	305 955	307 816	10 235	318 050	330 493	341 027
Total current liabilities	16 962	14 156	2 824	16 980	18 210	19 699
Total non current liabilities	41 231	41 231	15 292	56 523	61 167	66 253
Community wealth/Equity	278 792	280 775	589	281 365	284 899	287 960
Cash flows						
Net cash from (used) operating	17 668	16 845	3 131	19 976	16 048	16 425
Net cash from (used) investing	(24 479)	(26 340)	1 657	(24 683)	(19 803)	(18 270)
Net cash from (used) financing	(199)	(199)	60	(139)	(98)	34
Cash/cash equivalents at the year end	9 561	6 878	12 838	19 716	15 862	14 051
Cash backing/surplus reconciliation						
Cash and investments available	9 561	6 878	12 979	19 857	16 003	14 192
Application of cash and investments	9 493	6 686	4 953	11 640	8 044	6 402
Balance - surplus (shortfall)	69	192	8 025	8 217	7 959	7 790
Asset Management						
Asset register summary (WDV)	296 674	298 534	381	298 915	311 778	322 734
Depreciation & asset impairment	6 775	6 775	239	7 014	7 361	7 735
Renewal of Existing Assets	15 642	15 642	(2 844)	12 798	6 180	13 026
Repairs and Maintenance	11 537	11 537	(1 090)	10 447	11 390	12 000
Free services						
Cost of Free Basic Services provided	7 503	–	–	7 503	7 907	8 333
Revenue cost of free services provided	7 684	–	–	7 684	8 099	8 534
Households below minimum service level						
Water:	1	–	–	1	1	1
Sanitation/sewerage:	1	–	–	1	1	1
Energy:	1	–	–	1	1	1
Refuse:	1	–	–	1	1	1

Section 4 - Adjustment budget tables

The adjustments budget tables are included in this document as Tables B1 to B 10. Tables supporting the above (SB1 to SB20) are also available on request.

The municipality does not have any entities for which adjustments budgets must be prepared. The only entity of the municipality is currently dormant.

The Budget tables are:

Table B1 – Adjustments Budget Summary - Refer to Section 3 of this report

Table B2 – Adjustments Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
<u>Revenue - Standard</u>						
<i>Governance and administration</i>	113 771	118 736	(7 268)	111 468	80 989	85 160
Executive and council	71 292	76 257	(7 268)	68 990	36 320	38 180
Budget and treasury office	41 943	41 943	–	41 943	44 104	46 385
Corporate services	535	535	–	535	564	595
<i>Community and public safety</i>	14 586	15 407	380	15 787	15 421	16 304
Community and social services	5 990	6 812	380	7 192	6 361	6 756
Sport and recreation	5 083	5 083	–	5 083	5 357	5 646
Public safety	3 513	3 513	–	3 513	3 703	3 902
<i>Economic and environmental services</i>	194	194	–	194	116	118
Road transport	194	194	–	194	116	118
<i>Trading services</i>	112 749	112 749	(4 558)	108 191	119 486	126 812
Electricity	74 846	74 846	(2 819)	72 026	79 040	83 781
Water	19 007	19 007	(905)	18 102	20 223	21 436
Waste water management	7 462	7 462	–	7 462	8 059	8 704
Waste management	11 434	11 434	(834)	10 601	12 164	12 892
Total Revenue - Standard	241 299	247 085	(11 445)	235 640	216 011	228 395
<u>Expenditure - Standard</u>						
<i>Governance and administration</i>	95 656	99 459	(3 760)	95 699	68 320	71 795
Executive and council	57 861	61 664	(5 427)	56 237	28 723	29 864
Budget and treasury office	24 369	24 369	259	24 629	25 465	27 079
Corporate services	13 425	13 425	1 408	14 833	14 132	14 852
<i>Community and public safety</i>	32 074	32 074	(5 128)	26 946	33 222	35 101
Community and social services	17 072	17 072	(4 452)	12 620	17 344	18 358
Sport and recreation	8 511	8 511	(421)	8 090	8 979	9 435
Public safety	6 491	6 491	(255)	6 236	6 899	7 308
<i>Economic and environmental services</i>	13 107	13 107	(333)	12 774	13 791	14 578
Road transport	12 595	12 595	(333)	12 262	13 247	14 002
Environmental protection	512	512	–	512	544	576
<i>Trading services</i>	89 647	89 647	130	89 777	97 144	103 860
Electricity	60 091	60 091	1 156	61 246	64 690	69 623
Water	12 599	12 599	(855)	11 744	13 315	14 045
Waste water management	7 048	7 048	(415)	6 633	7 461	7 884
Waste management	9 908	9 908	245	10 153	11 678	12 308
Total Expenditure - Standard	230 484	234 286	(9 091)	225 195	212 477	225 334
Surplus/ (Deficit) for the year	10 815	12 799	(2 354)	10 444	3 535	3 061

Table B3 – Adjustments Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
Revenue by Vote						
Vote 1 - Executive and Council	71 292	76 257	(7 268)	68 990	36 320	38 180
Vote 2 - Budget and Treasury Office	41 943	41 943	–	41 943	44 104	46 385
Vote 3 - Corporate Services	535	535	–	535	564	595
Vote 4 - Community and Social Services	5 990	6 812	380	7 192	6 361	6 756
Vote 5 - Sport and Recreation	5 083	5 083	–	5 083	5 357	5 646
Vote 6 - Public Safety	3 513	3 513	–	3 513	3 703	3 902
Vote 7 - Road Transport	193	193	–	193	116	118
Vote 8 - Electricity	74 846	74 846	(2 819)	72 026	79 040	83 781
Vote 9 - Water	19 007	19 007	(905)	18 102	20 223	21 436
Vote 10 - Waste Water Management	7 462	7 462	–	7 462	8 059	8 704
Vote 11 - Waste Management	11 434	11 434	(834)	10 601	12 164	12 892
Vote 12 - Environmental Protection	–	–	–	–	–	–
Vote 13 - Other	1	1	–	1	–	–
Total Revenue by Vote	241 299	247 085	(11 445)	235 640	216 011	228 395
Expenditure by Vote						
Vote 1 - Executive and Council	57 861	61 664	(5 427)	56 237	28 723	29 864
Vote 2 - Budget and Treasury Office	24 369	24 369	259	24 629	25 465	27 079
Vote 3 - Corporate Services	13 425	13 425	1 408	14 833	14 132	14 852
Vote 4 - Community and Social Services	17 072	17 072	(4 452)	12 620	17 344	18 358
Vote 5 - Sport and Recreation	8 511	8 511	(421)	8 090	8 979	9 435
Vote 6 - Public Safety	6 491	6 491	(255)	6 236	6 899	7 308
Vote 7 - Road Transport	10 166	10 166	(223)	9 943	10 675	11 279
Vote 8 - Electricity	60 091	60 091	1 156	61 246	64 690	69 623
Vote 9 - Water	12 599	12 599	(855)	11 744	13 315	14 045
Vote 10 - Waste Water Management	7 048	7 048	(415)	6 633	7 461	7 884
Vote 11 - Waste Management	9 908	9 908	245	10 153	11 678	12 308
Vote 12 - Environmental Protection	512	512	–	512	544	576
Vote 13 - Other	2 429	2 429	(110)	2 319	2 572	2 723
Total Expenditure by Vote	230 484	234 286	(9 091)	225 195	212 477	225 334
Surplus/ (Deficit) for the year	10 815	12 799	(2 354)	10 444	3 535	3 061

Table B4 – Adjustments Budgeted Financial Performance (revenue and expenditure)

Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
<u>Revenue By Source</u>						
Property rates	39 103	39 103	–	39 103	41 214	43 440
Service charges - electricity revenue	72 999	72 999	(2 819)	70 180	78 461	83 169
Service charges - water revenue	18 739	18 739	(905)	17 834	19 938	21 134
Service charges - sanitation revenue	7 352	7 352	–	7 352	7 940	8 575
Service charges - refuse revenue	11 175	11 175	(834)	10 342	11 891	12 604
Rental of facilities and equipment	5 898	5 898	–	5 898	6 217	6 553
Interest earned - external investments	1 650	1 650	–	1 650	1 635	1 622
Interest earned - outstanding debtors	737	737	–	737	777	819
Fines	1 186	1 186	–	1 186	1 250	1 318
Licences and permits	1 244	1 244	–	1 244	1 311	1 382
Agency services	1 230	1 230	–	1 230	1 297	1 367
Transfers recognised - operating	62 543	66 469	(5 232)	61 237	32 416	34 184
Other revenue	4 025	4 025	–	4 025	2 880	3 042
Total Revenue (excluding capital transfers and contributions)	227 882	231 808	(9 790)	222 018	207 227	219 209
<u>Expenditure By Type</u>						
Employee related costs	77 029	77 029	(1 493)	75 535	82 273	87 303
Remuneration of councillors	3 338	3 338	–	3 338	3 518	3 708
Debt impairment	1 110	1 110	–	1 110	1 170	1 233
Depreciation & asset impairment	6 775	6 775	239	7 014	7 361	7 735
Finance charges	277	277	922	1 199	1 212	1 241
Bulk purchases	50 900	50 900	2 600	53 500	54 951	59 325
Contracted services	1 191	1 191	(119)	1 072	1 255	1 323
Other expenditure	89 865	93 668	(11 240)	82 428	60 736	63 465
Total Expenditure	230 484	234 286	(9 091)	225 195	212 477	225 334
Surplus/(Deficit)	(2 602)	(2 479)	(699)	(3 177)	(5 250)	(6 125)
Transfers recognised - capital	13 417	15 277	(1 655)	13 622	8 784	9 186
Surplus/ (Deficit) for the year	10 815	12 799	(2 354)	10 444	3 535	3 061

Table B5 – Adjustments Budgeted Capital Expenditure by vote, standard classification and funding

Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
<u>Capital expenditure - Vote</u>						
<u>Multi-year expenditure to be adjusted</u>						
Vote 4 - Community and Social Services	–	–	–	–	200	–
Vote 5 - Sport and Recreation	900	900	61	961	950	750
Vote 6 - Public Safety	–	–	–	–	200	200
Vote 7 - Road Transport	7 867	7 867	650	8 517	8 806	1 100
Vote 8 - Electricity	780	780	–	780	1 930	1 680
Vote 9 - Water	–	–	–	–	1 450	800
Vote 10 - Waste Water Management	8 875	8 875	(2 950)	5 926	1 000	9 486
Vote 11 - Waste Management	–	–	–	–	400	–
Capital multi-year expenditure sub-total	18 422	18 422	(2 239)	16 184	14 936	14 016
<u>Single-year expenditure to be adjusted</u>						
Vote 2 - Budget and Treasury Office	450	450	–	450	420	510
Vote 3 - Corporate Services	7	7	–	7	–	–
Vote 4 - Community and Social Services	1 572	3 129	1 514	4 643	2 678	200
Vote 5 - Sport and Recreation	1 240	1 240	(80)	1 160	–	60
Vote 6 - Public Safety	–	–	–	–	200	200
Vote 7 - Road Transport	1 050	1 353	924	2 278	1 200	1 620
Vote 8 - Electricity	1 380	1 380	(125)	1 255	65	50
Vote 9 - Water	100	100	–	100	–	500
Vote 10 - Waste Water Management	50	50	–	50	100	900
Vote 11 - Waste Management	214	214	–	214	210	220
Capital single-year expenditure sub-total	6 062	7 922	2 233	10 156	4 873	4 260
Total Capital Expenditure - Vote	24 484	26 345	(5)	26 340	19 809	18 276
<u>Capital Expenditure - Standard</u>						
<i>Governance and administration</i>	457	457	–	457	420	510
Budget and treasury office	450	450	–	450	420	510
Corporate services	7	7	–	7	–	–
<i>Community and public safety</i>	3 712	5 269	1 495	6 764	4 228	1 410
Community and social services	1 572	3 129	1 514	4 643	2 878	200
Sport and recreation	2 140	2 140	(19)	2 121	950	810
Public safety	–	–	–	–	400	400
<i>Economic and environmental services</i>	8 917	9 220	1 574	10 795	10 006	2 720
Road transport	8 917	9 220	1 574	10 795	10 006	2 720
<i>Trading services</i>	11 399	11 399	(3 075)	8 324	5 155	13 636
Electricity	2 160	2 160	(125)	2 035	1 995	1 730
Water	100	100	–	100	1 450	1 300
Waste water management	8 925	8 925	(2 950)	5 976	1 100	10 386
Waste management	214	214	–	214	610	220
Total Capital Expenditure - Standard	24 484	26 345	(5)	26 340	19 809	18 276
<u>Funded by:</u>						
National Government	13 217	13 217	(2 950)	10 267	8 584	8 986
Provincial Government	200	2 060	1 294	3 355	200	200
Total Capital transfers recognised	13 417	15 277	(1 655)	13 622	8 784	9 186
Internally generated funds	11 068	11 068	1 650	12 718	11 025	9 090
Total Capital Funding	24 484	26 345	(5)	26 340	19 809	18 276

Table B6 – Adjustments Budgeted Financial Position

Description	Budget Year 2013/14					Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands							
ASSETS							
Current assets							
Cash	9 561	6 878	11 188	11 188	18 066	14 212	12 401
Consumer debtors	19 438	19 438	(4 044)	(4 044)	15 394	16 164	17 026
Other debtors	955	955	(325)	(325)	630	630	630
Current portion of long-term receivables	5	5	1	1	6	6	6
Inventory	1 071	1 071	–	–	1 071	1 121	1 171
Total current assets	31 030	28 347	6 820	6 820	35 167	32 133	31 234
Non current assets							
Long-term receivables	370	370	(26)	(26)	345	338	332
Investments	–	–	140	140	140	140	140
Investment property	36 592	36 592	(885)	(885)	35 707	35 704	35 701
Property, plant and equipment	260 038	261 898	2 473	2 473	264 371	277 270	288 240
Intangible	44	44	443	443	488	455	443
Other non-current assets	8 911	8 911	9 739	9 739	18 650	18 235	17 820
Total non current assets	305 955	307 816	11 885	11 885	319 700	332 143	342 677
TOTAL ASSETS	336 985	336 162	18 705	18 705	354 868	364 276	373 911
LIABILITIES							
Current liabilities							
Borrowing	232	232	160	160	392	272	220
Consumer deposits	3 542	3 542	–	–	3 542	3 755	4 055
Trade and other payables	8 091	5 284	1 484	1 484	6 768	7 403	8 102
Provisions	5 098	5 098	1 180	1 180	6 278	6 780	7 322
Total current liabilities	16 962	14 156	2 824	2 824	16 980	18 210	19 699
Non current liabilities							
Borrowing	399	399	6	6	405	214	–
Provisions	40 832	40 832	15 286	15 286	56 118	60 953	66 253
Total non current liabilities	41 231	41 231	15 292	15 292	56 523	61 167	66 253
TOTAL LIABILITIES	58 193	55 387	18 116	18 116	73 503	79 377	85 952
NET ASSETS	278 792	280 775	589	589	281 365	284 899	287 960
COMMUNITY WEALTH/EQUITY							
Accumulated Surplus/(Deficit)	257 055	259 038	1 289	1 289	260 327	267 362	271 923
Reserves	21 737	21 737	(700)	(700)	21 037	17 537	16 037
TOTAL COMMUNITY WEALTH/EQUITY	278 792	280 775	589	589	281 365	284 899	287 960

Table B7 – Adjustments Budgeted Cash Flows

Description	Budget Year 2013/14					Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands							
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Ratepayers and other	160 313	160 313	(3 155)	(3 155)	157 158	170 795	180 840
Government - operating	62 543	62 543	(4 020)	(4 020)	58 523	32 416	34 184
Government - capital	13 417	13 417	495	495	13 912	8 784	9 186
Interest	2 068	2 068		–	2 068	2 077	2 089
Payments							
Suppliers and employees	(220 396)	(221 219)	10 733	10 733	(210 486)	(196 812)	(208 633)
Finance charges	(277)	(277)	(922)	(922)	(1 199)	(1 212)	(1 241)
NET CASH FROM/(USED) OPERATING ACTIVITIES	17 668	16 845	3 131	3 131	19 976	16 048	16 425
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts							
Decrease (increase) other non-current receivables	5	5	1	1	6	6	6
Payments							
Capital assets	(24 484)	(26 345)	5	5	(26 340)	(19 809)	(18 276)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(24 479)	(26 340)	7	7	(26 333)	(19 803)	(18 270)
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts							
Increase (decrease) in consumer deposits	201	201	(70)	(70)	130	213	300
Payments							
Repayment of borrowing	(400)	(400)	131	131	(269)	(311)	(266)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(199)	(199)	60	60	(139)	(98)	34
NET INCREASE/ (DECREASE) IN CASH HELD	(7 011)	(9 694)	3 198	3 198	(6 496)	(3 854)	(1 811)
Cash/cash equivalents at the year begin:	16 572	16 572	7 990	7 990	24 562	18 066	14 212
Cash/cash equivalents at the year end:	9 561	6 878	11 188	–	18 066	14 212	12 401

Table B8 – Adjustments Cash backed reserves/accumulated surplus reconciliation

Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
<u>Cash and investments available</u>						
Cash/cash equivalents at the year end	9 561	6 878	11 188	18 066	14 212	12 401
Non current assets - Investments	–	–	140	140	140	140
Cash and investments available:	9 561	6 878	11 329	18 207	14 353	12 542
<u>Applications of cash and investments</u>						
Unspent conditional transfers	(137)	(2 944)	3 363	419	419	419
Other working capital requirements	(12 107)	(12 107)	2 291	(9 816)	(9 912)	(10 054)
Reserves to be backed by cash/investments	21 737	21 737	(700)	21 037	17 537	16 037
Total Application of cash and investments:	9 493	6 686	4 953	11 640	8 044	6 402
Surplus(shortfall)	69	192	6 375	6 567	6 309	6 140

Table B9 – Adjustments Budget Asset Management

Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands						
CAPITAL EXPENDITURE						
<u>Total New Assets to be adjusted</u>	8 843	10 703	2 188	12 892	13 629	5 250
Infrastructure - Road transport	5 196	5 499	799	6 298	8 106	1 320
Infrastructure - Electricity	1 390	1 390	(125)	1 265	100	300
Infrastructure - Water	–	–	–	–	500	1 000
Infrastructure - Sanitation	–	–	–	–	500	–
Infrastructure - Other	–	–	–	–	550	150
Infrastructure	6 586	6 889	674	7 563	9 756	2 770
Community	1 394	2 130	1 000	3 130	2 478	300
Other assets	863	1 684	514	2 198	1 395	2 180
<u>Total Renewal of Existing Assets to be adjusted</u>	15 642	15 642	(2 194)	13 448	6 180	13 026
Infrastructure - Road transport	3 696	3 696	775	4 471	1 400	1 000
Infrastructure - Electricity	700	700	–	700	1 850	1 400
Infrastructure - Water	100	100	–	100	950	300
Infrastructure - Sanitation	8 925	8 925	(2 950)	5 976	600	9 586
Infrastructure	13 422	13 422	(2 175)	11 247	4 800	12 286
Community	2 090	2 090	(19)	2 071	1 150	510
Other assets	130	130	–	130	230	230
<u>Total Capital Expenditure to be adjusted</u>						
Infrastructure - Road transport	8 892	9 195	1 574	10 770	9 506	2 320
Infrastructure - Electricity	2 090	2 090	(125)	1 965	1 950	1 700
Infrastructure - Water	100	100	–	100	1 450	1 300
Infrastructure - Sanitation	8 925	8 925	(2 950)	5 976	1 100	9 586
Infrastructure - Other	–	–	–	–	550	150
Infrastructure	20 007	20 311	(1 500)	18 810	14 556	15 056
Community	3 484	4 220	981	5 201	3 628	810
Other assets	993	1 814	514	2 328	1 625	2 410
TOTAL CAPITAL EXPENDITURE to be adjusted	24 484	26 345	(5)	26 340	19 809	18 276

Table B9 – Adjustments Budget Asset Management (Continued)

	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
ASSET REGISTER SUMMARY - PPE (WDV)						
<i>Infrastructure - Road transport</i>	57 314	57 617	3 901	61 519	69 579	70 378
<i>Infrastructure - Electricity</i>	29 426	29 426	2 296	31 722	32 894	33 770
<i>Infrastructure - Water</i>	28 882	28 882	564	29 447	29 647	29 624
<i>Infrastructure - Sanitation</i>	40 795	40 795	1 076	41 871	41 924	50 401
<i>Infrastructure - Other</i>	946	946	(189)	757	1 232	1 303
Infrastructure	157 363	157 666	7 649	165 315	175 276	185 475
Community	12 844	13 580	(38)	13 542	16 702	17 016
Heritage assets	–	–	–	–	–	–
Investment properties	36 592	36 592	(885)	35 707	35 704	35 701
Other assets	89 830	90 652	(5 139)	85 513	85 291	85 749
Intangibles	44	44	443	488	455	443
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	296 674	298 534	2 031	300 565	313 428	324 384
EXPENDITURE OTHER ITEMS						
<u>Depreciation & asset impairment</u>	6 775	6 775	239	7 014	7 361	7 735
<u>Repairs and Maintenance by asset class</u>	11 537	11 537	(1 090)	10 447	11 390	12 000
<i>Infrastructure - Road transport</i>	1 643	1 643	(115)	1 528	1 732	1 825
<i>Infrastructure - Electricity</i>	914	914	(100)	814	958	1 004
<i>Infrastructure - Water</i>	1 192	1 192	(19)	1 173	1 256	1 324
<i>Infrastructure - Sanitation</i>	552	552	(80)	472	582	614
Infrastructure	4 301	4 301	(314)	3 987	4 528	4 767
Other assets	7 236	7 236	(776)	6 459	6 862	7 233
TOTAL EXPENDITURE OTHER ITEMS to be adjusted	18 312	18 312	(851)	17 460	18 751	19 735
% of capital exp on renewal of assets	63.9%	59.4%		51.1%	31.2%	71.3%
Renewal of existing assets as % of deprecn	230.9%	230.9%		191.7%	84.0%	168.4%
R&M as a % of PPE	3.9%	3.9%		3.5%	3.6%	3.7%
Renewal and R&M as a % of PPE	9.2%	9.1%		7.9%	5.6%	7.7%

Table B10 – Adjustments Budget Basic service delivery measurement

Description	Budget Year 2013/14				Budget Year +1 2014/15	Budget Year +2 2015/16
	Original Budget	Prior Adjusted	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
Household service targets						
Water:						
Piped water inside dwelling	7903	7903	–	8	7950	7990
Piped water inside yard (but not in dwelling)			–	–		
Using public tap (at least min.service level)	2	2	–	0	2	2
Other water supply (at least min.service level)			–	–		
<i>Minimum Service Level and Above sub-total</i>	8	8	–	8	8	8
Using public tap (< min.service level)	834	834	–	1	850	880
Other water supply (< min.service level)			–	–		
No water supply			–	–		
<i>Below Minimum Service Level sub-total</i>	1	1	–	1	1	1
Total number of households	9	9	–	9	9	9
Sanitation/sewerage:						
Flush toilet (connected to sewerage)	5485	5485	–	5 485	5532	5572
Flush toilet (with septic tank)	3004	3004	–	3 004	3004	3004
Chemical toilet	1	1	–	1	1	1
Pit toilet (ventilated)			–	–		
Other toilet provisions (> min.service level)			–	–		
<i>Minimum Service Level and Above sub-total</i>	8 490	8 490	–	8 490	8 537	8 577
Bucket toilet			–	–		
Other toilet provisions (< min.service level)	834	834	–	834	850	880
No toilet provisions			–	–		
<i>Below Minimum Service Level sub-total</i>	834	834	–	834	850	880
Total number of households	9 324	9 324	–	9 324	9 387	9 457
Energy:						
Electricity (at least min. service level)	4290	4290	–	4 290	4340	4390
Electricity - prepaid (> min.service level)	3975	3975	–	3 975	4022	4072
<i>Minimum Service Level and Above sub-total</i>	8 265	8 265	–	8 265	8 362	8 462
Electricity (< min.service level)	834	834	–	834	850	880
Electricity - prepaid (< min. service level)			–	–		
Other energy sources			–	–		
<i>Below Minimum Service Level sub-total</i>	834	834	–	834	850	880
Total number of households	9 099	9 099	–	9 099	9 212	9 342
Refuse:						
Removed at least once a week (min.service)	9021	9021	–	9 021	9068	9118
<i>Minimum Service Level and Above sub-total</i>	9 021	9 021	–	9 021	9 068	9 118
Removed less frequently than once a week			–	–		
Using communal refuse dump			–	–		
Using own refuse dump	834	834	–	834	850	880
Other rubbish disposal			–	–		
No rubbish disposal			–	–		
<i>Below Minimum Service Level sub-total</i>	834	834	–	834	850	880
Total number of households	9 855	9 855	–	9 855	9 918	9 998
Households receiving Free Basic Service						
Water (6 kilolitres per household per month)	7903	7903	–	7 903	7950	7990
Sanitation (free minimum level service)	2418	2418	–	2 418	2520	2580
Electricity /other energy (50kwh per household per month)	2418	2418	–	2 418	2520	2580
Refuse (removed at least once a week)	2418	2418	–	2 418	2520	2580
Cost of Free Basic Services provided (R'000)						
Water (6 kilolitres per household per month)	2 439	2439000	–	2 439	2 570	2 708
Sanitation (free sanitation service)	2 000	2000000	–	2 000	2 108	2 221
Electricity /other energy (50kwh per household per month)	834	834000	–	834	879	927
Refuse (removed once a week)	2 230	2230000	–	2 230	2 350	2 477
Total cost of FBS provided (minimum social package)	7 503	7 503	–	7 503	7 907	8 333
Highest level of free service provided						
Property rates (R'000 value threshold)	15000	15000	–	15 000	15000	15000
Water (kilolitres per household per month)	6	6	–	6	6	6
Sanitation (kilolitres per household per month)	0	0	–	–	0	0
Sanitation (Rand per household per month)	0	0	–	–	0	0
Electricity (kw per household per month)	50	50	–	50	50	50
Refuse (average litres per week)			–	–		
Revenue cost of free services provided (R'000)						
Property rates (R15 000 threshold rebate)			–	–		
Property rates (other exemptions, reductions and rebates)	181	181	–	181	191	202
Water	2 439	2 439	–	2 439	2 570	2 708
Sanitation	2 000	2 000	–	2 000	2 108	2 221
Electricity /other energy	834	834	–	834	879	927
Refuse	2 230	2 230	–	2 230	2 350	2 477
Municipal Housing - rental rebates			–	–		
Housing - top structure subsidies			–	–		
Other			–	–		
Total revenue cost of free services provided (total social package)	7 684	7 684	–	7 684	8 099	8 534

PART 2 - SUPPORTING DOCUMENTATION

Section 5 - Measurable performance objectives and indicators

Changes to measurable performance objectives and indicators are included in the supporting tables (SB3) attached. These indicators are part of the indicators contained in the Service Delivery and Budget Implementation Plan, which again forms the basis of the performance contracts of the Municipal Manager and Senior Management.

Section 6 - Budget related policies

There are no changes to the budget related policies proposed in the adjustments budget.

Section 7 - Overview of budget assumptions

Budget Assumptions

There are no changes to the budget assumptions proposed in the adjustments budget.

Section 8 - Funding compliance

The adjustments budget is cash - funded which is the first indicator of a "credible" budget.

	2013/2014	2014/2015	2015/2016
Cash and investments available	18 207	14 353	12 542
Application of cash and investments	11 640	8 044	6 402
Surplus/(Shortfall)	6 567	6 309	6 140

Section 9 - Overview of budget funding

Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

A Credible Budget

Amongst other things, a credible budget is a budget that:

- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and on past performance and supported by documented evidence of future assumptions;
- Does not jeopardise the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

A budget sets out certain service delivery levels and associated financial implications. Therefore the community should realistically expect to receive these promised service delivery levels and understand the associated financial implications. Major under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and unrealistic.

Furthermore, budgets tabled for consultation at least 90 days prior to the start of the budget year should already be credible and fairly close to the final approved budget.

9.1 Funding of operating and capital expenditure

As indicated in schedule B8, the municipality's budget is cash funded. However, the municipality is placing immense pressure on its cash reserves by financing a large portion of the capital program from own sources.

9.2 Financial plans

At this stage Cape Agulhas Municipality has not yet adopted a long-term financial plan that is fully funded. It is therefore difficult to provide inputs on how the adjustment budget will influence the financial plan.

9.3 Reserves

Reserves will be cash backed throughout the MTREF.

9.4 Financial sustainability of the municipality

The municipality's financial position is still sound but the 2010/2011 financial year was the start of reducing surpluses. The municipality might have no alternative in the near future other than to borrow money to finance the capital program.

The municipality plans to continue exercising strict financial management and ensuring a cash flow which meets the requirements.

Due to the fact that the majority of capital expenditure from own sources be funded by way of own cash, the municipality must ensure that the principle of "the user pays for the use of the assets" be applied in its long-term financial strategy. It is for this reason that the municipality will in future provide for cash-backed reserves, which consist of Employee Benefits provisions, the cost of replacing the existing valuation roll and contributions to the Capital Replacement Reserve with the idea being a contribution at least equal to the depreciation charges on those assets being used.

Section 10 - Expenditure on allocations and grant programmes

Grant allocations

Details of each grant to be received and spent are shown in the schedules SB7 to SB9 attached to the report.

Section 11 - Allocations and grants made by the Municipality

Allocations Made by the Municipality

No allocations are made by the municipality.

Section 12 - Councillor Allowances and employee benefits

Salaries, Allowances and Benefits

Details of Councillor Allowances and employee benefits are included in supporting table SB11 attached.

Section 13 - Monthly targets for revenue, expenditure and cash flow

Monthly Cash Flows by source

Supporting tables SB 12 to SB 17 show the adjusted monthly cash flows.

Section 14 - Adjustments to the quarterly service delivery and budget implementation plans - internal departments

Supporting table SB3 indicates the major adjustments.

Section 15 - Annual budgets and service delivery agreements - municipal entities and other external mechanisms

ENTITIES

The municipality does not have any entities, other than a dormant entity named Southernmost Development Agency (SOC) Ltd.

Other Service Delivery Mechanisms.

The municipality has service delivery agreements with external parties for the delivery of the Municipality's services.

Section 16 - Contracts having future budgetary implications

The municipality does not have any roll - over contracts with budget implications.

Section 17 - Capital expenditure details

Capital expenditure details are listed in Supporting Table SB 18 to SB 19.

Section 18 - Municipal Manager's quality certification

I, _____, Municipal Manager of Cape Agulhas Municipality, hereby certify that the adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the adjustments budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Municipal Manager of Cape Agulhas Municipality (WC 033)

Signature

Date